1959
11
$26,000,000

1960
12
$37,000,000

1961
13
Stores
$41,000,000

1962
18
Stores
$51,000,000

1963
25
Stores
$62,000,000

1964
31
Stores
$80,000,000

1965
35
Stores
$101,000,000

1966
41
Stores
$111,000,000

1967
45
Stores
$128,000,000

SALES
$155,000,000

68
Stores in Operation
Year Ended Jan. 31,
1968

Annual Report

Year Ended
Jan. 31, 1968

KING'S
DEPARTMENT STORES, Inc.

Financial Highlights

	1968	1967
Current Assets	$25,523,000	$20,070,000
Current Liabilities	12,433,000	6,192,000
Working Capital	13,090,000	13,878,000
Current Ratio	2.1	3.2
Stockholders' Equity	23,697,000	19,576,000
Equity Per Share**	11.10	9.17
Stock Split (stock dividend)	5 for 4	10%
Cash Dividends	.50	.50

SIX-YEAR REVIEW

For The Years Ended January 31

	1968*	1967	1966	1965	1964	1963
Total Sales	$145,520,000	$128,392,000	$111,706,000	$100,819,000	$80,686,000	$62,031,000
Leased Department Sales	22,166,000	22,351,000	27,041,000	28,722,000	22,770,000	14,416,000
Net Sales	123,354,000	106,041,000	84,665,000	72,097,000	57,916,000	47,615,000
Leased Department and Other Income	2,439,000	2,386,000	2,887,000	3,012,000	2,287,000	1,504,000
Total Income	125,793,000	108,427,000	87,552,000	75,109,000	60,203,000	49,119,000
Cost of Goods Sold and Expenses	116,577,000	100,930,000	80,884,000	69,315,000	56,911,000	46,512,000
Income before Taxes	9,216,000	7,497,000	6,668,000	5,794,000	3,292,000	2,607,000
Provision for Taxes	4,249,000	3,393,000	2,990,000	2,690,000	1,571,000	1,306,000
Net Income	4,967,000	4,104,000	3,678,000	3,104,000	1,721,000	1,301,000
Earnings Per Share**	2.33	1.92	2.14	1.45	.81	.61
Stock Split (Stock Dividend)	5 for 4	10%	—	5 for 4	5%	5%
Cash Dividends	.50	.50	.50	.30	—	—
Number of Stores	53	45	41	35	31	25

*Excluding Miracle Mart, Inc.
**Based on 2,135,000 shares outstanding

KING'S DEPARTMENT STORES, INC.

ANNUAL REPORT FOR YEAR ENDED JANUARY 31, 1968

CORRECTION

The "SIX-YEAR REVIEW" appearing on the inside cover of the Company's Annual Report for the year ended January 31, 1968 contains an error for the 1966 year in the line captioned "Earnings Per Share".

The per share earnings, before and after giving effect to the two for one stock split distributed in March 1968, are as follows:

	Year Ended January 31st					
	1968	1967	1966	1965	1964	1963
Before Adjustment for March 1968 Split	2.33	1.92	1.72	1.45	.81	.61
After Adjustment for March 1968 Split	1.17	.96	.86	.73	.41	.31

TO OUR STOCKHOLDERS:

May 1, 1968

The twelve months ended January 31, 1968 were the greatest growth year in the history of King's. We added 24 stores to our chain as a result of opening 9 new King's stores and the acquisition of 15 stores previously operated by Miracle Mart.

OPERATING RESULTS:

We are gratified to report that the tremendous expansion during last year did not slow down our earnings growth record. Net earnings rose to $4,967,000, an all time high, an increase of 21% over last year's net earnings of $4,103,000. Sales for the year recently ended were $145,520,000 as compared with $128,392,000 for 1967 — an increase of 13.3%. Earnings per share (adjusted to reflect the two for one stock split in March 1968) rose from $.96 to $1.17.

The foregoing results for the year ended January 31, 1968 do not include the results of operation of Miracle Mart, Inc. in which the company acquired an 80.2% interest on October 16, 1967. Sales of Miracle Mart, Inc. for the period from October 16, 1967 to January 31, 1968 were $9,328,000 and the company's equity in the net earnings amounted to $159,000 — or $.07 per share, based on shares outstanding on January 31, 1968.

We are particularly proud of improved earnings which were effected despite increased costs especially for merchandise and salaries. This is attributable, in large measure, to the skills of our executive and operating personnel.

DIVIDENDS:

On February 6, 1968 the Board of Directors authorized a two for one stock split to holders of record of Common Stock at the close of business March 8, 1968. The new shares were distributed on March 30th. The purpose of the split was to broaden the market for the Company's Common Stock and to increase the availability of shares for purchase and sale. The distribution did not change our shareholders' proportionate interest.

At its February 6 meeting, the Board of Directors increased the regular quarterly dividend from 12½¢ per share to 20¢ per share on the number of shares outstanding before the split. This represented an increase of 60% in the cash dividend rate. The Board has indicated its intention to continue payment of the quarterly dividend at the equivalent rate of 10¢ per share on the total number of shares outstanding after the distribution.

EXPANSION PROGRAM:

We have never regarded size alone as a practical goal but we know that you will share our pride in the substantial, regulated growth that King's achieved in 1967. The nine new King's stores plus the acquisition of fifteen Miracle Mart stores added approximately 45% of sales space.

Our plan for eight new stores for 1968 is proceeding on schedule. Lansdale, Pennsylvania was opened March 12th and Alliance, Ohio and our second store in Youngstown, Ohio were opened March 18th. The openings were successful and the continuing sales are excellent.

Murray A. Candib
President

Aaron O. Cohen
Chairman of the Board

OUTLOOK:

King's Department Stores has met the test of a substantial growth program and we are prepared to take full advantage of the opportunities inherent to our Country's expanding economy in the months and years ahead.

ACKNOWLEDGMENT:

Management's confidence in the future is based largely on our faith in the 5500 associates of King's Department Stores — the men and women whose devotion and ability have built your Company to its present level. To all of them go our sincere thanks for their loyalty and performance. Our gratitude is also extended to our customers and suppliers.

We are fully aware of our responsibility to our shareholders; we are dedicated to do our very best to enhance the growth of our Company.

Respectfully submitted on behalf of
the Board of Directors

Murray A. Candib
President

Aaron O. Cohen
Chairman

King's Personnel-Our Greatest Asset

A YEAR OF GROWTH

Fiscal 1967 was a year of unprecedented growth for King's Department Stores. A total of twenty-five new stores were added to our operation while extensive improvements were made to existing stores. This outstanding record of accomplishment could not have been achieved without the imaginative planning, building and buying effected by King's personnel.

Active recruitment and training programs, throughout the various levels of management, provided the ready reserve of experienced employees to staff the new stores. These men and women have taken on their new responsibilities enthusiastically. Undoubtedly, King's employee policies (equal opportunity, promotion from within, encouragement of individual growth, insurance, and awards based on qualification and merit) are sound. The impressive record of long service among King's workers attests to this.

Much of the success of King's in recent years must be attributed to the distinct features found in King's stores. They are bright and clean, easily accessible, surrounded by ample parking space, and open at hours convenient to the shopper in the area. Through the efforts of our real estate and maintenance departments we have been able to maintain and improve these features in our existing stores, and to incorporate them into our new locations with maximum economy.

ORGANIZATIONAL IMPROVEMENTS

There is little doubt that today's consumer is far more sophisticated than she was a few years ago, and in the years to come we can expect her to become even more so.

To meet the needs of this new consumer, and to back our pledge of providing quality merchandise at the lowest possible price, we have made extensive organizational changes.

Our New York buying office was moved to new and larger headquarters at 330 W. 34th Street, and our home furnishings buying operations were transferred from Newton, Massachusetts to the New York office. Increased efficiency as a result of these consolidations has already been noted.

In 1967, the fashions-buying staff was increased and additional personnel in the women's and children's departments contributed to a significant boost in sales volume. In addition, our buyers now visit an expanded number of domestic and foreign markets, for fashion-right items keyed to customers' tastes, and priced to fit their budgets.

New stores, of course, put new demands on sales promotion and advertising. As a result, King's advertising and promotional departments have been augmented by additional staff members and new equipment. Complete service for copy, art, print production, and media programming can be provided with minimum amounts of lead time.

Interestingly, our comprehensive advertising program now presents King's values in the pages of 79 daily newspapers, through millions of direct mail pieces, as well as via television, radio and billboards. Continuing research is conducted to determine the best media for the desired response. As always, King's prides itself on the honesty of its claims in advertising.

Both the accounting and auditing departments were also expanded during the year to keep pace with the requirements of executives and merchandisers for accurate records upon which to base sound business decisions.

Attention, of course, must be paid to the exacting efforts of the thousands of King's suppliers. King's success story would not have been written without them. For this reason, the "King's Crown Award" was created and — last year — presented to Dupont and General Electric for their "outstanding contributions to superior merchandising through excellence of design, quality of production and integrity of consumer relations."

Planning in its organization, imagination in its buying, pride in its personnel — these are the factors that assure King's continued growth and outstanding service to its customers and its shareholders.

Customer Satisfaction-Our Policy

CONSOLIDATED
STATEMENT OF

Source and Application of Funds

Year ended January 31, 1968 with comparative figures for 1967

	1968	1967
Funds were provided by:		
Net earnings for the year	$4,967,000	$4,104,000
Add charges against earnings not involving funds:		
Depreciation and amortization of fixed assets	835,000	717,000
Amortization of leasehold acquisition costs	89,000	61,000
Deferred credits, net	79,000	67,000
	5,970,000	4,949,000
Sale of common shares under stock option plans	191,000	103,000
Total funds provided	$6,161,000	$5,052,000
Funds were applied to:		
Investments in and advances to Miracle Mart, Inc. and subsidiaries	4,163,000	—
Additions to fixed assets, net	1,598,000	1,240,000
Cash dividends	1,010,000	824,000
Leasehold acquisition costs	—	818,000
Decrease in long-term debt	140,000	134,000
Increase (decrease) in cash surrender value of life insurance	(8,000)	14,000
Increase in miscellaneous investments	18,000	14,000
Cash paid in lieu of fractional shares of stock	28,000	21,000
Increase (decrease) in working capital	(788,000)	1,987,000
Total funds applied	$6,161,000	$5,052,000

See accompanying notes to financial statements.

PEAT, MARWICK, MITCHELL & CO.
Certified Public Accountants
2000 Tower Building
Prudential Center
Boston, Massachusetts 02199

The Stockholders and
The Board of Directors
King's Department Stores, Inc.:

We have examined the consolidated balance sheet of King's Department Stores, Inc. and subsidiaries as of January 31, 1968 and the related statement of earnings and retained earnings and the consolidated statement of source and application of funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, subject to adjustments, if any, to the value of the company's investment in Miracle Mart, Inc. and subsidiaries which may result from the final determination of such companies' liabilities for unsettled claims arising from the proceedings under Chapter XI explained in note 1 to the financial statements, the accompanying consolidated balance sheet and statement of consolidated earnings and retained earnings present fairly the financial position of King's Department Stores, Inc. and subsidiaries at January 31, 1968 and the results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Also, in our opinion, the accompanying consolidated statement of source and application of funds for the year ended January 31, 1968 presents fairly the information shown therein.

April 18, 1968

PEAT, MARWICK, MITCHELL & CO.

KING'S DEPARTMENT STORES, INC. AND SUBSIDIARIES

Statement of Consolidated Earnings and Retained Earnings
Year ended January 31, 1968 with comparative figures for 1967

	1968	1967
Total store sales	$145,520,000	$128,392,000
Less leased department sales	22,166,000	22,351,000
Net sales	123,354,000	106,041,000
Leased department income	2,239,000	2,304,000
Interest and other income, net	200,000	82,000
Total income	125,793,000	108,427,000
Cost of goods sold, transportation, warehousing and buying expenses	87,415,000	77,484,000
Store operating, administrative and general expenses, including leased department expenses	28,327,000	22,730,000
Depreciation and amortization	835,000	717,000
Total costs and expenses	116,577,000	100,931,000
Earnings before Federal income taxes	9,216,000	7,496,000
Federal income taxes (note 4)	4,249,000	3,393,000
Net earnings	4,967,000	4,103,000
Retained earnings at beginning of year	9,650,000	9,303,000
	14,617,000	13,406,000
Deduct:		
Cash dividends paid, $.50 per share	1,010,000	824,000
Par value of 422,782 shares issued as a 5 for 4 stock split plus cash for fractional shares (1966 market value of 151,676 shares issued as a 10% stock dividend)	451,000	2,933,000
	1,461,000	3,757,000
Retained earnings at end of year	$ 13,156,000	$ 9,649,000
Net earnings per share based on:		
Shares outstanding at January 31, 1968	$2.33	$1.92
Shares outstanding after March 30, 1968 2 for 1 stock split	$1.17	$ .96

See accompanying notes to financial statements.

Consolidated

January 31, 1968 with

Assets

	1968	1967
Current assets:		
Cash	$ 3,566,000	$ 3,798,000
Receivables:		
Notes	2,000	79,000
Budget receivables	111,000	114,000
Other	509,000	280,000
Total receivables	622,000	473,000
Merchandise inventories, at lower of cost or market, principally by the retail method	21,263,000	15,653,000
Prepaid expenses	72,000	146,000
Total current assets	25,523,000	20,070,000
Investments in and advances to Miracle Mart, Inc. and subsidiaries (note 1):		
Advance payments for capital stock (including $400,000 in escrow)	1,200,000	—
Advances	2,963,000	—
Total investments and advances	4,163,000	—
Fixed assets, at cost:		
Land and land improvements	204,000	204,000
Fixtures and equipment	8,411,000	6,901,000
Leasehold improvements	976,000	953,000
	9,591,000	8,058,000
Less accumulated depreciation and amortization	3,887,000	3,118,000
Net fixed assets	5,704,000	4,940,000
Other assets:		
Cash surrender value of life insurance	99,000	107,000
Unamortized leasehold acquisition costs (being amortized over lives of leases)	1,280,000	1,369,000
Miscellaneous investments	43,000	25,000
Total other assets	1,422,000	1,501,000
	$36,812,000	$26,511,000

See accompanying notes to financial statements.

Balance Sheet

comparative figures for 1967

Liabilties and Stockholders' Equity

	1968	1967
Current liabilities:		
Current installment on long-term note payable	$ 300,000	$ 155,000
Accounts payable	7,096,000	2,229,000
Due to Miracle Mart, Inc.	624,000	—
Accrued expenses	1,181,000	942,000
Federal income taxes	3,232,000	2,866,000
Total current liabilities	12,433,000	6,192,000
Deferred credits:		
Federal income taxes applicable to accelerated depreciation deducted for tax purposes	458,000	405,000
Deferred compensation, net of Federal income taxes	78,000	52,000
Total deferred credits	536,000	457,000
3½% note payable due in annual installments to 1969	146,000	286,000
Stockholders' equity:		
Common stock, $1 par value (note 2). Authorized 5,000,000 shares; issued 2,135,000 shares (1967 - 1,691,000 shares)	2,135,000	1,691,000
Additional paid-in capital (note 3)	8,406,000	8,236,000
Retained earnings	13,156,000	9,649,000
Total stockholders' equity	23,697,000	19,576,000
	$36,812,000	$26,511,000

Commitments and subsequent events (notes 5 and 6)

Notes to Financial Statements

January 31, 1968

(1) Principles of Consolidation

The consolidated financial statements include the accounts of the Company and all of its wholly-owned subsidiaries. Excluded from the consolidated financial statements are the accounts of Miracle Mart, Inc. and its subsidiaries which are 81% owned.

Miracle Mart, Inc. and its subsidiaries are operating under Plans of Arrangement with creditors under Chapter XI of the National Bankruptcy Act which Plans were approved by the Court on October 16, 1967. As of the same date the Company purchased approximately 81% of the capital stock of Miracle Mart, Inc. and made advance payments to the stockholders of $800,000 and placed $400,000 in escrow pending final determination of the purchase price of the stock, which is based in part on the net worth of Miracle Mart, Inc. and its subsidiaries after completion of the Chapter XI proceedings. It is estimated that the final purchase price will not exceed $1,000,000. In addition, under the Plans of Arrangement, the Company advanced $2,963,000 to Miracle Mart, Inc. supported by 6% Certificates of Indebtedness subordinated to the rights of the Chapter XI creditors.

As of February 10, 1968 Miracle Mart, Inc. was a party to various actions under Chapter XI proceedings in which creditors have made claims which, if substantiated and allowed by the Court, will result in liabilities of approximately $3,000,000. In the opinion of the former management of Miracle Mart, Inc. these claims will not result in a liability materially in excess of $1,285,627, for which provision has been made in computing the Company's equity in the net assets of Miracle Mart, Inc. at January 31, 1968 referred to below.

The Company's equity in the net assets of Miracle Mart, Inc. and its subsidiaries, after deducting the Chapter XI liabilities approved by the Court, amounted to approximately $524,000 based on unaudited financial information at January 31, 1968. Its equity in net earnings for the three and one-half months then ended, which are not included in consolidated net earnings, amounted to $159,000 or 7¢ per share on the Company's outstanding shares. No dividends have been paid by this subsidiary.

(2) Stock Option Plans

Options for purchase of shares of common stock have been granted to officers and key employees at 100% of fair market value on date of grant under the 1964 qualified plan and at 95% of the fair market value on date of grant under the 1961 and 1963 restricted plans. The options are exercisable at the cumulative rate of 25% annually under the 1964 plan and 20% annually under the 1961 and 1963 plans. At January 31, 1968 options had been granted as to all shares available for grant under these plans.

Transactions during the year are as follows:

	Number of Shares	
	Issuable under options granted	Available for option
Balance at beginning of year	43,213	8,956
Changes during the year:		
Options granted under 1964 plan at prices ranging from $22.00 to $26.00 per share or a total of $352,736	15,988	(15,988)
Options exercised at prices ranging from $6.37 to $16.18 per share or a total of $191,327, as compared with quoted market prices ranging from $18.38 to $38.00 per share or a total of $551,555.	(21,043)	—
Options terminated:		
1961 plan	(246)	—
1964 plan	(7,032)	7,032
Balance at end of year	30,880	—

Options to purchase the 30,880 shares outstanding at January 31, 1968 are available at prices ranging from $7.03 to $26.00 a share.

The number of shares and prices per share quoted above have been adjusted to reflect stock dividends and all stock splits, except for the 2 for 1 stock split payable March 30, 1968.

The Board of Directors have authorized, subject to approval of shareholders, a 1967 Qualified Stock Option Plan, similar in some respects to the 1964 plan, making 50,000 shares available for future options.

(3) Additional Paid-in Capital

Balance January 31, 1967	$8,236,000
Excess of option price over par value of 21,043 shares issued under stock option plans	170,000
Balance January 31, 1968	$8,406,000

(4) Federal Income Taxes

	1968	1967
Federal income taxes consist of:		
Taxes currently payable, less investment credit of $54,000 ($45,000 in 1967)	$4,220,000	$3,336,000
Deferred taxes, net	29,000	57,000
	$4,249,000	$3,393,000

(5) Commitments

Total minimum annual rentals (exclusive of amounts based on sales) payable under leases amount to approximately $5,811,000 at January 31, 1968. This amount includes the minimum annual commitment on four new store locations not occupied at January 31, 1968. Such leases will expire on various dates to 1992; however, it is anticipated that as leases expire they will be renewed or new leases will be executed. Total rent expenses for the year amounted to approximately $4,527,000.

(6) Subsequent Events

On February 6, 1968 the Board of Directors approved a 2 for 1 stock split payable March 30, 1968 which will result in the issuance of an additional 2,135,000 shares of unissued $1.00 par value common stock on that date. They also voted to recommend to the stockholders at the annual meeting on May 29, 1968 an increase in the number of authorized shares of common stock from 5,000,000 shares to 10,000,000 shares and the creation of a new authorized issue of 1,000,000 shares of preferred stock, $1 par value.

Directors

Murray A. Candib

Aaron O. Cohen

Benjamin M. Fiegar

Aaron G. Goldberg

Nathan Greenberg

Jack I. Hartblay

William F. Kenney

Charles J. Kittredge, Jr., Senior Vice President,
The First National Bank of Boston

H. Stanley Krusen, President,
Shearson, Hammill & Co., Incorporated,
New York

Officers

Aaron O. Cohen,
Chairman of the Board

Murray A. Candib,
President

William F. Kenney,
Executive Vice President

Aaron G. Goldberg,
Vice President—Merchandising

Jack I. Hartblay,
Vice President—N. Y. Office

Nathan Greenberg,
Vice President—Finance;
Secretary

Benjamin Fiegar,
Vice President—Treasurer

Transfer Agents

Old Colony Trust Company, Boston.
Marine Midland Trust Company, New York.

Registrars

First National Bank of Boston.
Chemical Bank New York Trust Company.

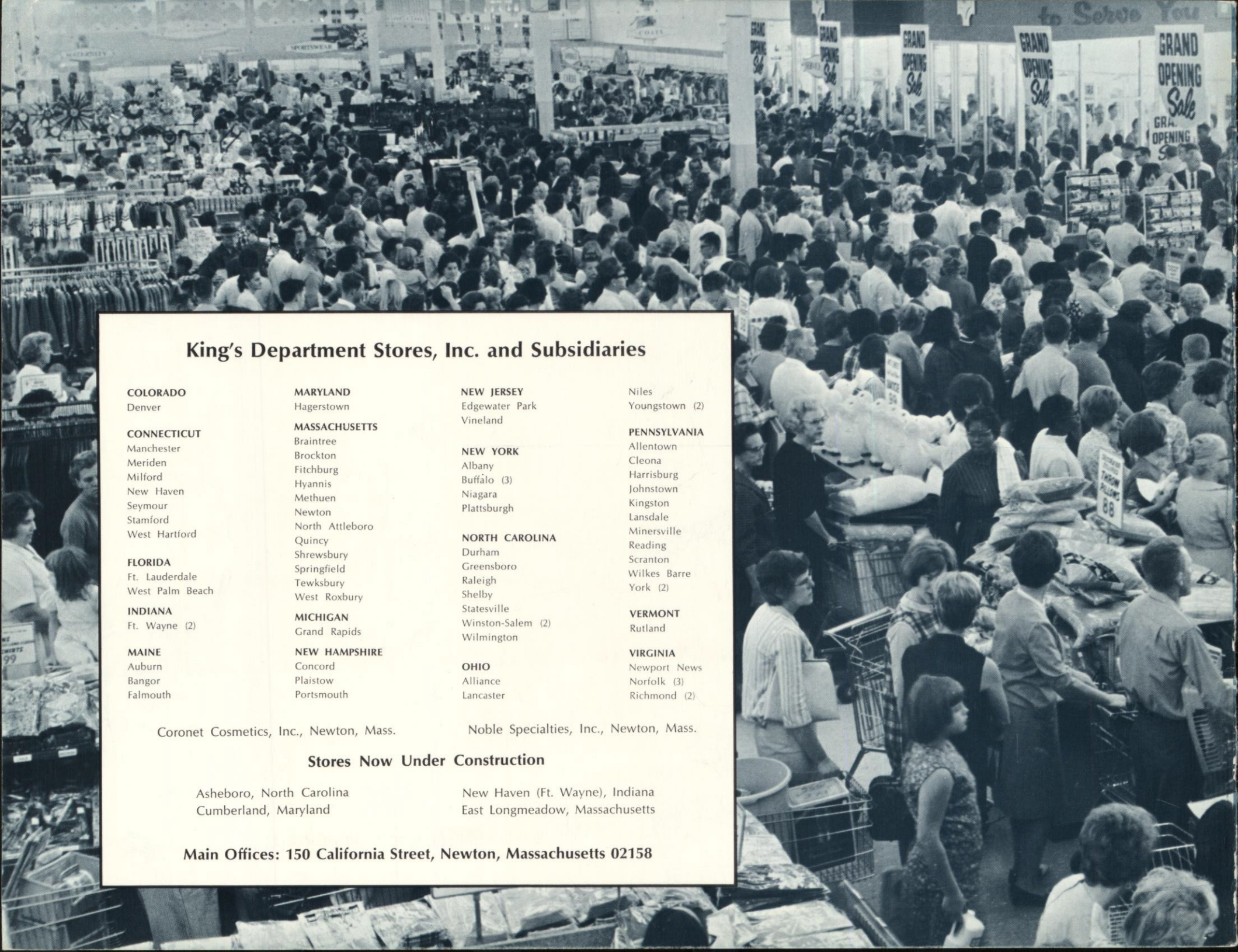
General Counsel

Parker, Chapin and Flattau, New York.

Auditor

Peat, Marwick, Mitchell & Co.

Executive Offices 150 California Street, Newton, Massachusetts 02158



King's Department Stores, Inc. and Subsidiaries

COLORADO
Denver

CONNECTICUT
Manchester
Meriden
Milford
New Haven
Seymour
Stamford
West Hartford

FLORIDA
Ft. Lauderdale
West Palm Beach

INDIANA
Ft. Wayne (2)

MAINE
Auburn
Bangor
Falmouth

MARYLAND
Hagerstown

MASSACHUSETTS
Braintree
Brockton
Fitchburg
Hyannis
Methuen
Newton
North Attleboro
Quincy
Shrewsbury
Springfield
Tewksbury
West Roxbury

MICHIGAN
Grand Rapids

NEW HAMPSHIRE
Concord
Plaistow
Portsmouth

NEW JERSEY
Edgewater Park
Vineland

NEW YORK
Albany
Buffalo (3)
Niagara
Plattsburgh

NORTH CAROLINA
Durham
Greensboro
Raleigh
Shelby
Statesville
Winston-Salem (2)
Wilmington

OHIO
Alliance
Lancaster
Niles
Youngstown (2)

PENNSYLVANIA
Allentown
Cleona
Harrisburg
Johnstown
Kingston
Lansdale
Minersville
Reading
Scranton
Wilkes Barre
York (2)

VERMONT
Rutland

VIRGINIA
Newport News
Norfolk (3)
Richmond (2)

Coronet Cosmetics, Inc., Newton, Mass.

Noble Specialties, Inc., Newton, Mass.

Stores Now Under Construction

Asheboro, North Carolina
Cumberland, Maryland
New Haven (Ft. Wayne), Indiana
East Longmeadow, Massachusetts

Main Offices: 150 California Street, Newton, Massachusetts 02158